

Single Audit Report

THOMAS A. EDISON CHARTER SCHOOL
(A Component Unit of the State of Delaware)
Wilmington, Delaware

Year Ended June 30, 2007

THOMAS A. EDISON CHARTER SCHOOL
(A Component Unit of the State of Delaware)

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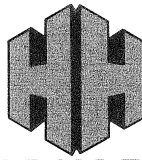
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Private Companies Practice Section

Report of Independent Auditor

Board of Directors
Thomas A. Edison Charter School
Wilmington, Delaware

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Thomas A. Edison Charter School, Wilmington, Delaware (a component unit of the State of Delaware) as of and for the years ended June 30, 2007 and 2006, which collectively comprise the School's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School's management. Our responsibility is to express opinions on these financial statements based on our audits. The discretely presented financial statements were audited by other auditors in which they issued unqualified opinions.

We conducted our audits in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audits provide a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Thomas A. Edison Charter School as of June 30, 2007 and 2006, and the respective changes in financial position for the years then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 22, 2008 on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and budgetary comparison information are not required parts of the basic financial statements but are supplementary information required by U.S. generally accepted accounting principles. The School has not presented the Management's Discussion and Analysis and the budgetary comparison information for the general fund that U.S. generally accepted accounting principles has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise Thomas A. Edison Charter School's basic financial statements. The additional information on pages 21 and 22 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The additional information on pages 21 and 22 has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statement taken as a whole.

This report is intended solely for the information and use of the School's management, School Board members, Department of Education, Office of the Governor, Office of Controller General, Office of Attorney General, Office of Management and Budget, Secretary of Finance, Office of Auditor of Accounts, Department of Finance, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, under 29 Del. C., Section 10002(d), this report is a public record and its distribution is not limited.



Certified Public Accountants

April 22, 2008
Wilmington, Delaware

Basic Financial Statements Section

THOMAS A. EDISON CHARTER SCHOOL
STATEMENTS OF NET ASSETS
June 30, 2007 and 2006

	2007		2006	
	Primary Governmental Activities	Component Unit Foundation	Primary Governmental Activities	Component Unit Foundation
ASSETS				
CURRENT ASSETS				
Cash and equivalents	\$ 1,877,682	\$ 22,090	\$ 988,607	\$ 21,725
Receivables, net:				
Food service customers	711	...	11,200	...
Due from other governments	157,528	...	81,251	...
Replacement reserve	...	20,499	...	20,257
Total current assets	2,035,921	42,589	1,081,058	41,982
NONCURRENT ASSETS				
Capital assets, net (Note 1)	13,171	6,162,505	...	6,354,824
Loan origination costs, net	...	72,627	...	78,040
Total noncurrent assets	13,171	6,235,132	...	6,432,864
TOTAL ASSETS	2,049,092	6,277,721	1,081,058	6,474,846
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable	83,418	...	118,303	...
Accrued salaries				
and related costs	290,747	...	242,522	...
Deferred revenues	...	...	2,139	...
Mortgage note payable, current	...	110,249	...	102,337
Total current liabilities	374,165	110,249	362,964	102,337
NONCURRENT LIABILITIES				
Mortgage note payable	...	2,385,032	...	2,495,281
Compensated absences liability	4,383	...	8,247	...
Total noncurrent liabilities	4,383	2,385,032	8,247	2,495,281
TOTAL LIABILITIES	378,548	2,495,281	371,211	2,597,618
NET ASSETS				
NET ASSETS				
Invested in capital assets, net of related debt	13,171	3,739,851	...	3,835,246
Restricted for specific programs	234,168	...	44,917	...
Unrestricted	1,423,205	42,589	664,930	41,982
TOTAL NET ASSETS	\$ 1,670,544	\$ 3,782,440	\$ 709,847	\$ 3,877,228

The accompanying notes are an integral
part of the basic financial statements

THOMAS A. EDISON CHARTER SCHOOL
STATEMENT OF ACTIVITIES
Year Ended June 30, 2007

Functions	Expenses	Program Revenues			Net (Expense) Revenues and Changes in Net Assets	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Governmental Activities	Component Unit Foundation
GOVERNMENTAL ACTIVITIES						
Instructional services	\$ 6,470,334	\$...	\$ 1,145,137	\$...	\$ (5,325,197)	\$...
Supporting services:						
Operation and maintenance of facilities	930,986	...	...	...	(930,986)	...
Transportation	681,989	...	659,299	...	(22,690)	...
Other support services	...	...	...	...	...	(22,761)
School Food services	360,132	16,318	417,137	...	73,323	...
Interest on long-term debt	...	...	...	...	...	(190,585)
Depreciation-unallocated	816	...	...	...	(816)	(192,319)
Total Charter School	<u>\$ 8,444,257</u>	<u>\$ 16,318</u>	<u>\$ 2,221,573</u>	<u>\$...</u>	<u>(6,206,366)</u>	<u>(405,665)</u>
GENERAL REVENUES						
Charges to school districts					2,572,243	...
State aid not restricted to specific purpose					4,278,844	...
Miscellaneous revenues					248,813	310,635
Earnings on cash and equivalents					67,163	242
Total general revenues					<u>7,167,063</u>	<u>310,877</u>
CHANGES IN NET ASSETS (LIABILITIES)					960,697	(94,788)
NET ASSETS						
Beginning of year					<u>709,847</u>	<u>3,877,228</u>
End of year					<u>\$ 1,670,544</u>	<u>\$ 3,782,440</u>

The accompanying notes are an integral part of the basic financial statements

THOMAS A. EDISON CHARTER SCHOOL
STATEMENT OF ACTIVITIES
Year Ended June 30, 2006

Functions	Expenses	Program Revenues			Net (Expense) Revenues and Changes in Net Assets	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Governmental Activities	Component Unit Foundation
GOVERNMENTAL ACTIVITIES						
Instructional services	\$ 5,625,326	\$...	\$ 667,657	\$...	\$ (4,957,669)	\$...
Supporting services:						
Operation and maintenance of facilities	763,367	...	...	...	(763,367)	...
Transportation	563,830	...	603,667	...	39,837	...
Other support services	...	...	...	...	...	(23,404)
School Food services	254,760	12,682	243,724	...	1,646	...
Interest on long-term debt	...	...	...	...	...	(197,929)
Depreciation-unallocated	...	...	...	...	...	(192,319)
Total Charter School	<u>\$ 7,207,283</u>	<u>\$ 12,682</u>	<u>\$ 1,515,048</u>	<u>\$...</u>	<u>(5,679,553)</u>	<u>(413,652)</u>
GENERAL REVENUES						
Charges to school districts					2,308,614	...
State aid not restricted to specific purpose					3,813,447	...
Miscellaneous revenues					248,482	311,063
Earnings on cash and equivalents					23,937	169
Total general revenues					<u>6,394,480</u>	<u>311,232</u>
CHANGES IN NET ASSETS (LIABILITIES)					714,927	(102,420)
NET ASSETS (LIABILITIES)						
Beginning of year					(5,080)	3,979,648
End of year					<u>\$ 709,847</u>	<u>\$ 3,877,228</u>

The accompanying notes are an integral part of the basic financial statements

THOMAS A. EDISON CHARTER SCHOOL
BALANCE SHEETS-GOVERNMENTAL FUNDS
June 30, 2007 and 2006

	<u>Governmental Funds</u>	
	<u>2007</u>	<u>2006</u>
ASSETS		
Cash and equivalents	\$ 1,877,682	\$ 988,607
Receivables, net:		
Food service customers	711	11,200
Due from other governments	<u>157,528</u>	<u>81,251</u>
TOTAL ASSETS	<u>\$ 2,035,921</u>	<u>\$ 1,081,058</u>
LIABILITIES		
Accounts payable	\$ 83,418	\$ 118,303
Accrued salaries and related costs	290,747	242,522
Deferred revenues	<u>...</u>	<u>2,139</u>
Total liabilities	<u>374,165</u>	<u>362,964</u>
FUND BALANCES		
Reserved for specific programs	234,168	44,917
Unreserved	<u>1,427,588</u>	<u>673,177</u>
Total fund balances	<u>1,661,756</u>	<u>718,094</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 2,035,921</u>	<u>\$ 1,081,058</u>

The accompanying notes are an integral
part of the basic financial statements

THOMAS A. EDISON CHARTER SCHOOL

RECONCILIATION OF THE BALANCE SHEETS OF GOVERNMENTAL FUNDS

TO THE STATEMENTS OF NET ASSETS

June 30, 2007 and 2006

	Governmental Funds	
	2007	2006
Amounts reported for governmental activities in the statement of net assets are different because:		
Total fund balances-governmental funds	\$ 1,661,756	\$ 718,094
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds. The cost of capital assets is \$13,987 for 2007 and \$0 for 2006 and the related accumulated depreciation is \$816 for 2007 and \$0 for 2006.	13,171	...
Compensated absences are not due and payable for the years presented and therefore are not reported in the funds.	<u>(4,383)</u>	<u>(8,247)</u>
Total net assets-governmental activities	<u>\$ 1,670,544</u>	<u>\$ 709,847</u>

The accompanying notes are an integral part of the basic financial statements

THOMAS A. EDISON CHARTER SCHOOLSTATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-GOVERNMENTAL FUNDS
Years Ended June 30, 2007 and 2006

	<u>Governmental Funds</u>	
	<u>2007</u>	<u>2006</u>
REVENUES		
Charges to school districts	\$ 2,572,243	\$ 2,308,614
State aid	4,938,143	4,417,114
Federal aid	1,562,274	911,381
Food service fees	16,318	12,682
Earnings on cash and equivalents	67,163	23,937
Miscellaneous revenues	248,813	248,482
Total revenues	<u>9,404,954</u>	<u>7,922,210</u>
EXPENDITURES		
Current:		
Instructional services	6,362,785	5,608,810
Supporting services:		
Operation and maintenance of facilities	930,986	763,367
Transportation	681,989	563,830
School Food services	360,132	254,760
Capital outlay	125,400	13,349
Total expenditures	<u>8,461,292</u>	<u>7,204,116</u>
NET CHANGE IN FUND BALANCES	943,662	718,094
FUND BALANCES		
Beginning of year	<u>718,094</u>	<u>...</u>
End of year	<u>\$ 1,661,756</u>	<u>\$ 718,094</u>

The accompanying notes are an integral
part of the basic financial statements

THOMAS A. EDISON CHARTER SCHOOL

RECONCILIATION OF THE STATEMENTS OF REVENUES, EXPENDITURES AND

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENTS OF ACTIVITIES
Years Ended June 30, 2007 and 2006

	<u>Governmental Funds</u>	
	<u>2007</u>	<u>2006</u>

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances-total governmental funds	\$ 943,662	\$ 718,094
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Government funds report capital outlay as expenditures. However, in the statement of activities, assets with an initial, individual cost of \$5,000 or more are capitalized and the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. These are the amounts by which capital outlay exceeded depreciation expense.

	<u>2007</u>	<u>2006</u>		
Capital outlay	\$ 13,987	\$...		
Depreciation expense	<u>(816)</u>	<u>...</u>	13,171	...

In the statement of activities, certain operating expenses such as compensated absences (vacation) are measured by the amounts earned during a year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). Vacation payable decreased by \$3,864 for 2007 and increased \$3,167 for 2006.

	<u>3,864</u>	<u>(3,167)</u>
Change in net assets-governmental activities	\$ <u>960,697</u>	\$ <u>714,927</u>

The accompanying notes are an integral part of the basic financial statements

THOMAS A. EDISON CHARTER SCHOOL
STATEMENTS OF FIDUCIARY NET ASSETS-AGENCY FUND
June 30, 2007 and 2006

	<u>Student Activities Fund</u>	
	<u>2007</u>	<u>2006</u>
ASSETS		
Cash and equivalents	\$ <u>1,787</u>	\$ <u>3,797</u>
LIABILITIES		
Other current liabilities	\$ <u>1,787</u>	\$ <u>3,797</u>

The accompanying notes are an integral
part of the basic financial statements

THOMAS A. EDISON CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Thomas A. Edison Charter School (the "School") have been prepared in conformity with U.S. generally accepted accounting principles as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies of the School are described below.

Reporting Entity

The School is the primary government and is considered a component unit of the State of Delaware. A component unit, although a legally separate entity, is, in substance, part of the State's operations. The School has one component unit which it has included in the reporting entity because of the significance of its operational and financial relationship to the School.

Discretely Presented Component Unit

On November 12, 1997, the Thomas A. Edison Charter School of Wilmington, Inc. (the "Foundation") was incorporated as a 501(c)(3) nonprofit corporation for the purpose of constructing a school for grades K through 8 by substantially improving an existing School facility, which was placed in service on July 1, 2000. The Foundation's primary role is to assist the School in carrying out its mission. The Foundation is a discretely presented component unit because of the significance of its financial relationship to the School (the primary government). The Foundation was audited by other auditors, and their reports dated July 20, 2007 and July 13, 2006 have been issued under separate cover. These reports are available upon request from the School.

Government-Wide and Fund Financial Statements

The government-wide financial statements (the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the School and its component unit. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include charges to students or other third parties who purchase, or directly benefit from goods and services provided, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Revenues not properly included among program revenues are reported instead as general revenues.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Government-Wide and Fund Financial Statements (continued)

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. The major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The **government-wide financial statements** are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Charges to school districts are recognized as revenues in the year for which they are billed. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The **governmental fund financial statements** are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current year or soon enough thereafter to pay liabilities of the current year. For this purpose, the School considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, early retirement, and postemployment healthcare benefits, are recorded only when payment is due.

Charges to school districts and interest associated with the current fiscal year are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal year. All other revenue items are considered to be measurable and available only when the School receives cash.

The School reports the following major governmental fund:

- The **general fund** is the School's primary operating fund. It accounts for all financial resources of the School, except those required to be accounted for in another fund.

Additionally, the School reports the following fund type:

- The **student activities agency fund** (a fiduciary fund) accounts for assets held on behalf of student groups.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

Amounts reported as program revenues include 1) charges to students for special fees, material, supplies, or services, provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues.

When both restricted and unrestricted resources are available for use, it is the School's policy to use restricted resources first, then unrestricted resources as they are needed.

Budgets

The general fund budget is adopted on the modified accrual basis of accounting; however, it is not presented in a manner comparable to actual expenditures presented. Therefore, management has elected not to include the budgetary comparison information for the general fund. Budgets are not adopted for the student activity funds. Annual appropriations lapse at year end with the exception of fund balance reserve.

Encumbrances

Encumbrance accounting is employed in the governmental funds. Encumbrances (e.g., purchase orders and contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year. As of June 30, 2007 and 2006, the School had no outstanding encumbrances.

Use of Estimates

The preparation of basic financial statements in conformance with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Cash and Equivalents

The cash and equivalents of the School and the component unit are considered to be cash, demand deposits, and short-term investments with original maturities of three months or less.

Receivables

Bad debts are provided on the allowance method based on historical experience and management's evaluation of outstanding accounts receivable. At June 30, 2007 and 2006, the allowance for doubtful accounts is \$0 and \$66,350, respectively.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "interfund receivable/payable" (i.e., current portion) or "advances from/to other funds" (i.e., the noncurrent portion).

Capital Assets and Depreciation

Capital assets which include furniture and equipment are reported in the government-wide financial statements. The School defines capital assets as assets with initial, individual cost of \$5,000 or more and an estimated useful life in excess of one year. Such capital assets are recorded at historical cost or estimated cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The cost of normal maintenance and repairs that does not add to the value of the asset or materially extends the life of the asset is not capitalized. Major outlay for capital assets and improvements are capitalized as projects are constructed. The interest cost incurred during the construction period is not capitalized. Capital assets are depreciated using the straight-line method over their estimated useful lives ranging between 5 to 20 years.

For fiscal year ended June 30, 2006, the School had a management agreement with Edison Schools, Inc. ("Edison"). Upon termination of the agreement with Edison, the School had the right, subject to any limitations and/or conditions in the agreements to which Edison is a party, to acquire all, but not part, of the capital assets provided by Edison and located in the School and the homes of the students by paying Edison the net depreciated value [original cost minus accumulated depreciation to date of termination] of such assets within 30 days after the effective date of termination of the agreement. As of June 30, 2006, the management agreement with Edison was terminated and the School agreed to pay Edison the net book value of these assets totaling \$24,741, which was expensed since the capital assets did not meet the capitalization criteria.

Component Unit-Capital assets are stated at cost and consist mostly of leasehold improvements to school facilities. Expenditures for maintenance and repairs are charged to expense as incurred; costs of renewals and betterments are capitalized. When assets are sold or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any gain or loss is included in the statement of activities. Management reviews long-lived capital assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be fully recoverable. The Organization has not adopted a formal capitalization policy. The leasehold improvements are depreciated using the straight-line method based on the estimated useful life of 39 years.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Loan Origination Costs

Loan origination costs of \$108,263 are being amortized over the life (20 years) of the mortgage note using the straight-line method. At June 20, 2007 and 2006, the accumulated amortization was \$35,636 and \$30,223, respectively.

Compensated Absences

Vacation pay plus related payroll taxes is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, employee resignations and retirements.

Vacation - Twelve month employees can accumulate up to 42 days of vacation. Days in excess of 42 are dropped as of July 1 of each year. Employees are paid for unused vacation upon termination, retirement, etc. at the current rate of pay.

Sick Leave - Sick leave allowances are as follows: 10 days for 10-month employees, 11 days for 11-month employees, and 12 days for 12-month employees. Unused sick days shall be accumulated to the employee's credit without limit. Compensation for accumulated sick days is received when employees (a) qualify and apply for State pension and is paid at a rate of 50 percent of the per diem rate of pay not to exceed 120 days, or (b) in the case of death, when payment is made to the employee's estate at a rate of one day's pay for each day of unused sick leave not to exceed 120 days.

Fund Equity

Fund financial statements of governmental funds report fund balance reservations for amounts that are not available for appropriation or legally restricted by outside parties for use for a restricted purpose. Designations of fund balance represent tentative plans for future use of financial resources which are subject to change.

Income Taxes

The component unit is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Foundation's tax exempt purpose is subject to taxation as unrelated business income. In addition, the Foundation qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation.

Reclassifications

Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

THOMAS A. EDISON CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

NOTE 2 - CASH AND EQUIVALENTS

At June 30, 2007 and 2006, the School has cash and equivalents of \$1,879,469 and \$992,404, respectively. Cash and equivalents are controlled by the personnel of the State Treasurer's office in Dover, Delaware, and any investment decisions are made, by the State Treasurer's Office. The investments held by the State of Delaware investment pool, an internal investment pool, are specifically identified for the School, but the credit risk cannot be categorized for these deposits. Credit risk for such deposits depends on the financial stability of the State of Delaware.

NOTE 3 - INTERGOVERNMENTAL RECEIVABLES

Amounts due from other governmental units represent receivables for revenues earned by the School. At June 30, the intergovernmental receivables are as follows:

Description	2007	2006
Passed through the State of Delaware:		
Local school districts	\$...	\$ 66,350
Federal government	157,528	81,251
Total intergovernmental receivables	157,528	147,601
Less: Allowance for doubtful accounts	...	66,350
Net intergovernmental receivables	\$ 157,528	\$ 81,251

NOTE 4 - CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30 follows:

Year Ended June 30, 2007				
Description	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets, not depreciated:				
Construction in progress	\$...	\$ 6,992	\$...	\$ 6,992
Total capital assets	...	6,992	...	6,992
Capital assets, being depreciated:				
Furniture and equipment	...	6,995	...	6,995
Less accumulated depreciation:				
Furniture and equipment	...	816	...	816
Total capital assets	...	6,179	...	6,179
Governmental activities				
Capital assets, net	\$...	\$ 13,171	\$...	\$ 13,171
Component Unit:				
Capital assets, being depreciated:				
Leasehold improvements	\$7,500,449	\$...	\$...	\$7,500,449
Less accumulated depreciation:				
Leasehold improvements	1,145,625	192,319	...	1,337,944
Depreciable capital assets, net	\$6,354,824	\$ 192,319	\$...	\$6,162,505

THOMAS A. EDISON CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

NOTE 4 - CAPITAL ASSETS (continued)

Year Ended June 30, 2006				
Description	Beginning Balances	Increases	Decreases	Ending Balances
Component Unit:				
Capital assets, being depreciated:				
Leasehold improvements	\$7,500,449	\$...	\$...	\$7,500,449
Less accumulated depreciation:				
Leasehold improvements	<u>953,306</u>	<u>192,319</u>	<u>...</u>	<u>1,145,625</u>
Depreciable capital assets, net	<u>\$6,547,143</u>	<u>\$ (192,319)</u>	<u>\$...</u>	<u>\$6,354,824</u>

NOTE 5 - LONG-TERM DEBT OBLIGATIONS

The following is a summary of changes in long-term obligations:

Description	Year Ended June 30, 2007				Due Within One Year
	Beginning Balance	Long-Term Obligations Additions	Deletions	Ending Balance	
Governmental activity:					
Compensated absences	<u>\$ 8,247</u>	<u>\$...</u>	<u>\$ 3,864</u>	<u>\$ 4,383</u>	<u>\$...</u>

Compensated absences liability for the governmental activities is generally liquidated by the general fund.

Component Unit

The Foundation entered into a mortgage note agreement with Delaware Community Investment Corporation (DCIC) on December 12, 2000 in the amount of \$3,037,000. The note is secured by a leasehold mortgage and security agreement on the property located at 900 East 22nd Street, Wilmington, Delaware. The terms of the note require 240 monthly payments of \$24,410 at 7.47%. The final payment is due January 1, 2021.

Maturities of long-term debt obligations are as follows:

Years Ending June 30	Principal	Interest	Total
2008	\$ 110,249	\$ 182,671	\$ 292,920
2009	118,772	174,148	292,920
2010	127,954	164,966	292,920
2011	137,847	155,073	292,920
2012	148,504	144,416	292,920
2013-2017	933,550	531,061	1,464,611
2018-2021	<u>918,405</u>	<u>131,234</u>	<u>1,049,639</u>
Totals	<u>\$2,495,281</u>	<u>\$1,483,569</u>	<u>\$3,978,850</u>

THOMAS A. EDISON CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

NOTE 6 - PENSION PLAN

School employees are considered State employees and are covered under the State's pension program. The School paid all of the pension contributions on behalf of its employees. The employees contribute 3.00% of salary in excess of \$6,000 up to the social security maximum and 3.00% for any salary above the social security maximum. Total pension cost of \$460,800 for 2007 and \$383,448 for 2006 (State funding) and \$88,303 for 2007 and \$57,851 for 2006 (local and federal funding) is included in the basic financial statements. Certain significant plan provisions follow:

- Early retirement:
 - a. 15 years service-age 55 (reduced by 0.2%, each month under age 60)
 - b. 25 years service-any age (reduced by 0.2%, each month short of 30 years)
- Service retirement:
 - a. 15 years service-age 60
 - b. 30 years service-any age
 - c. 5 years service-age 62
- Disability retirement:
 - a. 5 years service and proof of disability
- Vested pension-An employee can vest pension rights after five years of service.

The State's pension program is a defined benefit plan. More information on this plan is available in the State of Delaware Public Employee Retirement System (DPERS) *Comprehensive Annual Report*. This report may be obtained by writing DPERS at Suite 1, McArdle Building, 860 Silver Lake Boulevard, Dover, Delaware 19904 or by calling 1-800-722-7300.

NOTE 7 - LEASING ARRANGEMENTS

The component unit leases the land and the original building shell from an unrelated third party under the terms of an operating leasing arrangement dated August 25, 1999. The leasing arrangement calls for a term of forty-five years, starting September 1, 1999 and ending August 31, 2044. The annual rental is as follows:

First 5 years	\$1 per annum
6 through 10th year	Not to exceed \$10,000
11th through 15th year	\$15,000 per annum
16th through 20th year	\$20,000 per annum
21st through 25th year	\$25,000 per annum
26th year through 45th year	To be negotiated

THOMAS A. EDISON CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

NOTE 7 - LEASING ARRANGEMENTS (continued)

Estimated minimum future rental payments required are as follows:

Fiscal Years Ending June 30	Amount
2008	\$ 10,000
2009	10,000
2010	14,167
2011	15,000
2012	15,000

The component unit in turn subleases the property to the School. Total rental revenues and expenses under the leasing arrangement amounted to \$292,922 and \$292,922 for years ended June 30, 2007 and 2006, respectively.

NOTE 8 - COMMITMENTS AND CONTINGENCIES

In the normal course of business, there are outstanding various commitments and contingent liabilities in addition to the normal encumbrances for the purchase of goods and services. The School does not anticipate losses from these transactions.

Grants Activity

The School receives financial assistance from federal agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the State Office of Auditor of Accounts. Any disallowed claims resulting from such audits could become a liability of the School.

Management Agreement-Edison Schools, Inc.

Thomas A. Edison Charter School of Wilmington, Inc., a nonprofit corporation, organized and existing under the laws of the State of Delaware, entered into an agreement with the Edison Schools, Inc. ("Edison"), a Delaware Corporation, on May 25, 1998 and amended as of February 18, 1999. The term of the agreement commenced on the date of the agreement and ended on June 30, 2005. The School renewed the agreement for an additional year which expired June 30, 2006. As part of the agreement, Edison provided the School with a complete educational program based on the Edison "unique school design", comprehensive academic programs, and School management principles (the "Edison School Design"). Edison provided management and administrative services necessary to implement and operate its education program at the School. Edison fees prior to the one year extension were based on the School's performance; that is, any revenues in excess of School expenditures revert to Edison as a management fee. The above are only excerpts of the executed agreement; for further detail, refer to the agreement.

NOTE 8 - COMMITMENTS AND CONTINGENCIES (continued)

Management Agreement-Renaissance School Services, LLC

The School entered into an agreement with Renaissance School Services, LLC ("RSS"), a Delaware Limited Liability Company, on July 31, 2006. The terms of this agreement shall terminate on June 30, 2008, unless terminated earlier or extended in accordance with the terms and conditions of this agreement. RSS will provide its services under the authority of the Head of School and the Board. RSS services include the deployment of two full-time RSS staff at the School and the provisions of ongoing and comprehensive consultation services to the School in non-academic school functions, including project management; detailed analysis and synthesis; information production; protocol development; and recommendations to the Head of School and the Board. It is understood by the parties that the School is responsible for funding all of the staff positions, functions, services or expenses which are listed in the School's annual budget. For further detail, refer to the agreement.

Additional Information Section

THOMAS A. EDISON CHARTER SCHOOL
BALANCE SHEETS-GENERAL FUND
June 30, 2007 and 2006

	2007				2006			
	State Allocation	Local Funds	Federal Funds	Total General Fund	State Allocation	Local Funds	Federal Funds	Total General Fund
ASSETS								
Cash and equivalents	\$ 153,506	\$ 1,724,176	\$...	\$ 1,877,682	\$ 449,996	\$ 538,611	\$...	\$ 988,607
Receivables, net:								
Food service customers	...	711	...	711	...	11,200	...	11,200
Due from other governments	...	102,331	55,197	157,528	...	48,216	33,035	81,251
Interfund receivable (payable)	<u>12,631</u>	<u>(12,631)</u>	<u>...</u>	<u>...</u>	<u>12,631</u>	<u>(12,631)</u>	<u>...</u>	<u>...</u>
TOTAL ASSETS	<u>\$ 166,137</u>	<u>\$ 1,814,587</u>	<u>\$ 55,197</u>	<u>\$ 2,035,921</u>	<u>\$ 462,627</u>	<u>\$ 585,396</u>	<u>\$ 33,035</u>	<u>\$ 1,081,058</u>
LIABILITIES								
Accounts payable	\$ 52,925	\$ 26,534	\$ 3,959	\$ 83,418	\$ 96,544	\$ 18,545	\$ 3,214	\$ 118,303
Accrued salaries and related costs	239,509	...	51,238	290,747	209,534	3,167	29,821	242,522
Deferred revenues	...	...	...	...	...	2,139	...	2,139
Total liabilities	<u>292,434</u>	<u>26,534</u>	<u>55,197</u>	<u>374,165</u>	<u>306,078</u>	<u>23,851</u>	<u>33,035</u>	<u>362,964</u>
FUND BALANCES (DEFICIT)								
Reserved for specific programs	...	234,168	...	234,168	...	44,917	...	44,917
Unreserved	<u>(126,297)</u>	<u>1,553,885</u>	<u>...</u>	<u>1,427,588</u>	<u>156,549</u>	<u>516,628</u>	<u>...</u>	<u>673,177</u>
Total fund balances (deficit)	<u>(126,297)</u>	<u>1,788,053</u>	<u>...</u>	<u>1,661,756</u>	<u>156,549</u>	<u>561,545</u>	<u>...</u>	<u>718,094</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 166,137</u>	<u>\$ 1,814,587</u>	<u>\$ 55,197</u>	<u>\$ 2,035,921</u>	<u>\$ 462,627</u>	<u>\$ 585,396</u>	<u>\$ 33,035</u>	<u>\$ 1,081,058</u>

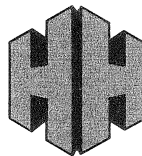
See Report of Independent Auditor

THOMAS A. EDISON CHARTER SCHOOLSTATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-GENERAL FUND
Years Ended June 30, 2007 and 2006

	2007				2006			
	State Allocation	Local Funds	Federal Funds	Total General Fund	State Allocation	Local Funds	Federal Funds	Total General Fund
REVENUES								
Charges to school districts	\$...	\$ 2,572,243	\$...	\$ 2,572,243	\$...	\$ 2,308,614	\$...	\$ 2,308,614
State aid	4,938,143	...	...	4,938,143	4,417,114	...	...	4,417,114
Federal aid	...	417,137	1,145,137	1,562,274	...	243,724	667,657	911,381
Food service fees	...	16,318	...	16,318	...	12,682	...	12,682
Earnings on cash and equivalents	...	67,163	...	67,163	...	23,937	...	23,937
Miscellaneous revenues	...	248,813	...	248,813	...	248,482	...	248,482
Total revenues	<u>4,938,143</u>	<u>3,321,674</u>	<u>1,145,137</u>	<u>9,404,954</u>	<u>4,417,114</u>	<u>2,837,439</u>	<u>667,657</u>	<u>7,922,210</u>
EXPENDITURES								
Current:								
Salaries	1,425,501	1,482,253	553,889	3,461,643	1,261,076	1,265,681	392,716	2,919,473
Employment costs	1,182,189	755	230,505	1,413,449	1,025,687	368	168,606	1,194,661
Travel	4,946	2,013	16,194	23,153	429	1,947	6,389	8,765
Contracted services	675,595	54,444	219,914	949,953	784,775	186,115	97,950	1,068,840
Communications	26,816	4,693	...	31,509	25,671	6,689	...	32,360
Public utility services	166,629	3,645	...	170,274	118,038	653	...	118,691
Insurance	28,756	5,263	...	34,019	...	12,508	...	12,508
Transportation-buses	676,218	5,771	...	681,989	432,824	131,006	...	563,830
Land/Building/Facilities	328,811	65,000	...	393,811	321,522	22,087	...	343,609
Repairs and maintenance	360,765	6,136	...	366,901	125,499	175,568	...	301,067
Other contractual services	29,649	22,123	...	51,772	12,238	27,989	...	40,227
Supplies and materials	216,693	35,164	...	251,857	135,923	16,142	...	152,065
Operating supplies	5,873	11,048	119,488	136,409	3,190	96,564	1,996	101,750
Computer/Word Processing/Software	...	4,767	4,254	9,021	...	18,453	...	18,453
Food service costs	...	360,132	...	360,132	...	254,760	...	254,760
Bad debt expense	...	...	...	...	...	59,708	...	59,708
Capital outlay	92,548	31,959	893	125,400	9,577	3,772	...	13,349
Total expenditures	<u>5,220,989</u>	<u>2,095,166</u>	<u>1,145,137</u>	<u>8,461,292</u>	<u>4,256,449</u>	<u>2,280,010</u>	<u>667,657</u>	<u>7,204,116</u>
NET CHANGES IN FUND BALANCES	(282,846)	1,226,508	...	943,662	160,665	557,429	...	718,094
FUND BALANCES (DEFICIT)								
Beginning of year	<u>156,549</u>	<u>561,545</u>	<u>...</u>	<u>718,094</u>	<u>(4,116)</u>	<u>4,116</u>	<u>...</u>	<u>...</u>
End of year	<u>\$ (126,297)</u>	<u>\$ 1,788,053</u>	<u>\$...</u>	<u>\$ 1,661,756</u>	<u>\$ 156,549</u>	<u>\$ 561,545</u>	<u>\$...</u>	<u>\$ 718,094</u>

See Report of Independent Auditor

SINGLE AUDIT SUPPLEMENT
REQUIRED BY OMB CIRCULAR A-133



HAGGERTY & HAGGERTY, P.A.

**CERTIFIED PUBLIC ACCOUNTANTS
& MANAGEMENT CONSULTANTS**

James R. Zdimal, CPA†
Vincent S. Barbone, CPA, CFE*†

American Institute of CPA
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Private Companies Practice Section

**Report of Independent Auditor
on Internal Control over Financial Reporting
and on Compliance and Other Matters
Based on an Audit of the Financial Statements
Performed in Accordance with Government Auditing Standards**

To the Members of the School Board
Thomas A. Edison Charter School
Wilmington, Delaware

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Thomas A. Edison Charter School as of and for the year ended June 30, 2007, which collectively comprise Thomas A. Edison Charter School's basic financial statements and have issued our report thereon dated April 22, 2008. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Thomas A. Edison Charter School's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Thomas A. Edison Charter School's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Thomas A. Edison Charter School's internal control over financial reporting.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects Thomas A. Edison Charter School's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Thomas A. Edison Charter School's financial statements that is more than inconsequential will not be prevented or detected by Thomas A. Edison Charter School's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Thomas A. Edison Charter School's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Thomas A. Edison Charter School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

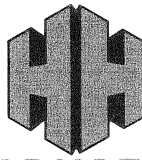
We noted certain matters that we have reported to management of Thomas A. Edison Charter School in a separate letter dated April 22, 2008.

This report is intended solely for the information and use of the School's management, School Board members, Department of Education, Office of the Governor, Office of Controller General, Office of Attorney General, Office of Management and Budget, Secretary of Finance, Office of Auditor of Accounts, Department of Finance, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, under 29 Del. C., Section 10002(d), this report is a public record and its distribution is not limited.

A handwritten signature in cursive script, appearing to read "Haggerty & Haggerty", written in dark ink.

Certified Public Accountants

April 22, 2008
Wilmington, Delaware



HAGGERTY & HAGGERTY, P.A.

**CERTIFIED PUBLIC ACCOUNTANTS
& MANAGEMENT CONSULTANTS**

James R. Zdimal, CPA†
Vincent S. Barbone, CPA, CFE*†

American Institute of CPA
Pennsylvania Institute of CPA*
Delaware Society of CPA†
Private Companies Practice Section

**Report of Independent Auditor
on Compliance with Requirements Applicable
to Each Major Program and Internal Control over Compliance
in Accordance with OMB Circular A-133**

To the Members of the School Board
Thomas A. Edison Charter School
Wilmington, Delaware

Compliance

We have audited the compliance of Thomas A. Edison Charter School with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. Thomas A. Edison Charter School's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Thomas A. Edison Charter School's management. Our responsibility is to express an opinion on Thomas A. Edison Charter School's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations". Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Thomas A. Edison Charter School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Thomas A. Edison Charter School's compliance with those requirements.

In our opinion, Thomas A. Edison Charter School complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

Internal Control Over Compliance

The management of Thomas A. Edison Charter School is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Thomas A. Edison Charter School's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Thomas A. Edison Charter School's internal control over compliance.

Internal Control Over Compliance (continued)

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of governmental activities, each major fund, and the aggregate remaining fund information of Thomas A. Edison Charter School as of and for the year ended June 30, 2007, and have issued our report thereon dated April 22, 2008. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise Thomas A. Edison Charter School's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the School's management, School Board members, Department of Education, Office of the Governor, Office of Controller General, Office of Attorney General, Office of Management and Budget, Secretary of Finance, Office of Auditor of Accounts, Department of Finance, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, under 29 Del. C., Section 10002(d), this report is a public record and its distribution is not limited.



Certified Public Accountants

April 22, 2008
Wilmington, Delaware

THOMAS A. EDISON CHARTER SCHOOL
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2007

<u>Federal Grantor/ Pass-Through Grantor Project Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
U.S. DEPARTMENT OF AGRICULTURE			
Passed through State of Delaware, Department of Education (DOE):			
Child and Adult Care Food Program	10.558	N/A	\$ 417,137
TOTAL U.S. DEPARTMENT OF AGRICULTURE			\$ 417,137
U.S. DEPARTMENT OF EDUCATION			
Passed through the Delaware Department of Education (DOE):			
Title I Grants to Local Educational Agencies	84.010	N/A	\$ 494,574
Special Education-Grants to States	84.027	N/A	351,074
Special Education-Preschool Grants	84.173	N/A	1,512
Safe and Drug-Free Schools and Communities-State Grants	84.186	N/A	17,765
State Grants for Innovative Programs	84.298	N/A	5,077
Enhancing Education Through Technology	84.318	N/A	11,288
Improving Teacher Quality-State Grants	84.367	N/A	263,847
TOTAL U.S. DEPARTMENT OF EDUCATION			\$ 1,145,137
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 1,562,274

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards presents the activity of all the federal awards received by Thomas A. Edison Charter School (the "School") and is presented on the accrual basis of accounting. The School's reporting entity is defined in Note 1 to the basic financial statements. All federal awards received from federal awarding agencies and pass-through entities are included on the schedule.

THOMAS A. EDISON CHARTER SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2007

A. SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of Thomas A. Edison Charter School.
2. No significant deficiencies relating to the audit of the financial statements are reported, which would be required to be reported in accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of Thomas A. Edison Charter School are reported, which would be required to be reported in accordance with *Government Auditing Standards*.
4. No significant deficiencies relating to the audit of the major federal award programs are reported in accordance with OMB Circular A-133.
5. The auditor's report on compliance for the major federal award programs [listed in item 7] expresses an unqualified opinion.
6. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this Schedule.
7. The programs tested as major programs include:
 - 84.027-Special Education-Grants to State
 - 84.173-Special Education-Preschool Grants
 - 84.367-Improving Teacher Quality-State Grants
8. Threshold for distinguishing between Type A and B programs was \$300,000.
9. Thomas A. Edison Charter School qualifies as a low-risk auditee.

B. FINDINGS-FINANCIAL STATEMENT AUDIT

None.

C. FINDINGS & QUESTIONED COSTS-MAJOR FEDERAL AWARD PROGRAMS AUDIT

None.

THOMAS A. EDISON CHARTER SCHOOL

SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2007

FINDINGS & QUESTIONED COSTS-MAJOR FEDERAL AWARD PROGRAMS AUDIT

DEPARTMENT OF EDUCATION

04-02 Title I-Grants to Local Educational Agencies-CFDA No. 84.010; Period: July 1, 2003 to June 30, 2004.

Condition: Certain employee semiannual certifications or time and effort distribution records were not maintained. Charges to the grant award do not agree with the time and effort reports prepared by the staff.

Criteria: In accordance with OMB Circular A-87, Attachment B, paragraph 11.h.3:

1. Employees whose compensation is solely from a Single Cost Objective must complete semiannual certifications that they have been engaged solely in activities supported by the applicable source.

2. Employees paid and/or paid in part from a Single Cost Objective and in part with funds from other revenue sources must maintain time and effort distribution records.

Effect: \$155,928 of payroll expenditures and \$61,013 of related employment costs are considered as questioned costs because certain semiannual certifications and/or time and effort distribution records were not maintained. Also, payroll expenditures were not allocated based on the time and effort reports that were prepared. \$ 216,491

Cause: The lack of written policies or procedures. The School failed to maintain appropriate documentation to support charges to the grant award.

Recommendation: Policies and procedures should be written to provide guidance to employees administering grant activity so they are aware of the reporting requirements.

AUDITEE'S PLAN FOR CORRECTIVE ACTION

"The Charter School will develop policies and procedures regarding grant administration. Also, the Charter School will review the data giving rise to the questioned costs and locate missing time and effort distribution records or reconstruct (with the available records) the necessary documentation to support the expenditures charged to the grant award."

STATUS OF FINDING

The School has developed policies and procedures regarding grant administration; however, the questioned cost has not been addressed by the granting agency.

THOMAS A. EDISON CHARTER SCHOOL

SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2007

FINDINGS & QUESTIONED COSTS-MAJOR FEDERAL AWARD PROGRAMS AUDIT
(continued)

DEPARTMENT OF EDUCATION (continued)

04-03 Improving Teacher Quality-State Grants-CFDA No. 84.367;
Period: July 1, 2003 to June 30, 2004.

Condition: Certain employee semiannual certifications or time and effort distribution records were not maintained. Charges to the grant award do not agree with the time and effort reports prepared by the staff.

Criteria: In accordance with OMB Circular A-87, Attachment B, paragraph 11.h.3:

1. Employees whose compensation is solely from a Single Cost Objective must complete semiannual certifications that they have been engaged solely in activities supported by the applicable source.

2. Employees paid and/or paid in part from a Single Cost Objective and in part with funds from other revenue sources must maintain time and effort distribution records.

Effect: \$43,924 of payroll expenditures and \$13,842 of related employment costs are considered as questioned costs because certain semiannual certifications and/or time and effort distribution records were not maintained. Also, payroll expenditures were not allocated based on the time and effort reports that were prepared. \$ 57,766

Cause: The lack of written policies or procedures. The School failed to maintain appropriate documentation to support charges to the grant award.

Recommendation: Policies and procedures should be written to provide guidance to employees administering grant activity so they are aware of the reporting requirements.

AUDITEE'S PLAN FOR CORRECTIVE ACTION

"The Charter School will develop policies and procedures regarding grant administration. Also, the Charter School will review the data giving rise to the questioned costs and locate missing time and effort distribution records or reconstruct (with the available records) the necessary documentation to support the expenditures charged to the grant award."

STATUS OF FINDING

The School has developed policies and procedures regarding grant administration; however, the questioned cost has not been addressed by the granting agency.

THOMAS A. EDISON CHARTER SCHOOL

SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2007

FINDINGS & QUESTIONED COSTS-MAJOR FEDERAL AWARD PROGRAMS AUDIT
(continued)

DEPARTMENT OF EDUCATION (continued)

03-02 Title I-Grants to Local Educational Agencies-**CFDA No. 84.010**; Period: July 1, 2002 to June 30, 2003.

Condition: No employee semiannual certifications or time and effort distribution records were maintained.

Criteria: In accordance with OMB Circular A-87, Attachment B, paragraph 11.h.3:

1. Employees whose compensation is solely from a Single Cost Objective must complete semiannual certifications that they have been engaged solely in activities supported by the applicable source.

2. Employees paid and/or paid in part from a Single Cost Objective and in part with funds from other revenue sources must maintain time and effort distribution records.

Effect: \$323,465 of payroll expenditures and \$96,095 of related employment costs are considered as questioned costs because no semiannual certifications and/or time and effort distribution records were maintained. \$ 419,560

Cause: The lack of written policies or procedures. The School failed to maintain appropriate documentation to support charges to the grant award.

Recommendation: Policies and procedures should be written to provide guidance to employees administering grant activity so they are aware of the reporting requirements.

AUDITEE'S PLAN FOR CORRECTIVE ACTION

"The Charter School will develop policies and procedures regarding grant administration. Also, the Charter School will review the data giving rise to the questioned costs and locate missing time and effort distribution records or reconstruct (with the available records) the necessary documentation to support the expenditures charged to the grant award."

STATUS OF FINDING

The School has developed policies and procedures regarding grant administration; however, the questioned cost has not been addressed by the granting agency.

THOMAS A. EDISON CHARTER SCHOOL

SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2007

FINDINGS & QUESTIONED COSTS-MAJOR FEDERAL AWARD PROGRAMS AUDIT
(continued)

DEPARTMENT OF EDUCATION (continued)

03-03 Title I-Grants to Local Educational Agencies-CFDA No. 84.010; Period: July 1, 2002 to June 30, 2003.

Condition: The School was unable to locate expenditure correction forms used to allocate expenditures to the grant nor was any supporting documentation available.

Criteria: Federal administrative requirements call for the preparation of reports and the tracing of funds to a level of expenditures adequate to establish that the funds have not been used in violation of laws and regulations. In addition, these records must be retained for a period of no less than three years.

Effect: \$12,527 are considered as questioned costs since no documentation was available for our examination. \$ 12,527

Cause: School employees were not familiar with federal regulations requiring that records be retained and for a period of no less than three years.

Recommendation: We recommended that the School revisit its policies & procedures regarding expenditure documentation.

AUDITEE'S PLAN FOR CORRECTIVE ACTION

"The Charter School will develop policies and procedures regarding grant administration. Also, the Charter School will review the data giving rise to the questioned costs and locate missing time and effort distribution records or reconstruct (with the available records) the necessary documentation to support the expenditures charged to the grant award."

STATUS OF FINDING

The School has developed policies and procedures regarding grant administration; however, the questioned cost has not been addressed by the granting agency.

THOMAS A. EDISON CHARTER SCHOOL

SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2007

FINDINGS & QUESTIONED COSTS-MAJOR FEDERAL AWARD PROGRAMS AUDIT
(continued)

DEPARTMENT OF EDUCATION (continued)

03-04 Title V-Innovative Education Program Strategies-**CFDA No. 84.298**; Period: July 1, 2002 to June 30, 2003.

Condition: The School was unable to locate expenditure correction forms used to allocate expenditures to the grant nor was any supporting documentation available.

Criteria: Federal administrative requirements call for the preparation of reports and the tracing of funds to a level of expenditures adequate to establish that funds have not been used in violation of laws and regulations. In addition, these records must be retained for a period of no less than three years.

Effect: \$12,622 are considered as questioned costs since no documentation was available for our examination. \$ 12,622

Cause: School employees were not familiar with federal regulations requiring that records be retained and for a period of no less than three years.

Recommendation: We recommended that the School revisit its policies & procedures regarding expenditure documentation.

AUDITEE'S PLAN FOR CORRECTIVE ACTION

"The Charter School will develop policies and procedures regarding grant administration. Also, the Charter School will review the data giving rise to the questioned costs and locate missing time and effort distribution records or reconstruct (with the available records) the necessary documentation to support the expenditures charged to the grant award."

STATUS OF FINDING

The School has developed policies and procedures regarding grant administration; however, the questioned cost has not been addressed by the granting agency.